

1 KEKER & VAN NEST, LLP
DARALYN J. DURIE - #169825
2 EUGENE M. PAIGE - #202849
RYAN M. KENT - #220441
3 SONALI D. MAITRA - #254896
710 Sansome Street
4 San Francisco, CA 94111-1704
Telephone: (415) 391-5400
5 Facsimile: (415) 397-7188

6 Attorneys for Defendant
WELLS FARGO FUNDS MANAGEMENT, LLC
7

8 UNITED STATES DISTRICT COURT
9
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN FRANCISCO DIVISION

12 PHOENIX SOLUTIONS, INC., a California
13 corporation,

14 Plaintiff,

15 v.

16 WELLS FARGO BANK, N.A., a Delaware
17 corporation, and WELLS FARGO FUNDS
MANAGEMENT, LLC, a Delaware limited
18 liability company,

19 Defendants.
20
21

Case No. CV 08-0863 MHP

**WELLS FARGO FUNDS
MANAGEMENT, LLC'S ANSWER TO
SECOND AMENDED COMPLAINT**

DEMAND FOR JURY TRIAL

22 Defendant Wells Fargo Funds Management, LLC ("WFFM") answers Phoenix Solutions,
23 Inc.'s ("Phoenix's") second amended complaint ("Complaint") on behalf of itself and itself alone
24 as follows:

25 1. WFFM admits that the Complaint purports to recite an action for infringement
26 under the patent laws of the United States.
27
28

I. THE PARTIES

2. WFFM denies that Phoenix is a corporation organized and existing under the laws of the State of California; WFFM lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

3. WFFM admits that Wells Fargo Bank, N.A. has a place of business at 420 Montgomery Street, San Francisco, California 94163. WFFM denies the remainder of the allegations of this paragraph.

4. WFFM admits that it is a limited liability company organized and existing under the laws of the State of Delaware, with a place of business at 525 Market Street, San Francisco, California 94105. WFFM denies the remainder of the allegations of this paragraph.

II. FACTUAL BACKGROUND

5. WFFM lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

6. WFFM lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

7. WFFM lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

8. WFFM admits that it provides certain financial services. WFFM admits that it operates customer support lines, some of which are toll-free. WFFM admits that some of its customer support lines employ interactive voice response (IVR) systems that provide customers with audible responses. WFFM lacks information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

9. WFFM lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

10. WFFM lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

1 11. WFFM lacks knowledge or information sufficient to form a belief about the truth
2 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

3 12. WFFM lacks knowledge or information sufficient to form a belief about the truth
4 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

5 13. WFFM lacks knowledge or information sufficient to form a belief about the truth
6 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

7 14. WFFM lacks knowledge or information sufficient to form a belief about the truth
8 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

9 15. WFFM lacks knowledge or information sufficient to form a belief about the truth
10 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

11 16. WFFM admits that some of the IVR systems used in its customer support lines
12 may respond with an audible response or may route the caller to a live person. WFFM lacks
13 information sufficient to form a belief about the truth of the remainder of the allegations in this
14 paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

15 17. WFFM lacks knowledge or information sufficient to form a belief about the truth
16 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

17 18. WFFM lacks knowledge or information sufficient to form a belief about the truth
18 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

19 19. WFFM lacks knowledge or information sufficient to form a belief about the truth
20 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

21 20. WFFM lacks knowledge or information sufficient to form a belief about the truth
22 of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

23 21. WFFM admits that the IVR systems used in its customer support lines are a
24 combination of components, including hardware, software, and content, that it obtained from
25 third parties. WFFM lacks knowledge or information sufficient to form a belief about the truth
26 of the allegations in the remainder this paragraph and, on that basis, denies the allegations in the
27 remainder of this paragraph.
28

22. WFFM lacks knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph and, on that basis, denies the allegations in this paragraph.

23. WFFM admits that, on or about June 2, 2006, J. Nicholas Gross of the Trojan Law Offices sent a letter addressed to James Strother, purportedly on behalf of Phoenix, in which Mr. Gross stated that the “speech based electronic agent” that Mr. Gross apparently assumed was operated by Wells Fargo “is very likely covered one or more claims of the Phoenix portfolio in this area.” WFFM admits that the letter listed U.S. Patent Nos. 6,633,846, 6,616,172, 6,665,640, and 7,050,977 and a pending publication, Publication No. 2004/0117189. WFFM further admits that the letter stated that “we request that you please review the enclosed materials, and let us know within 30 days if Wells Fargo is interested in securing a license to the above technologies.” WFFM admits that, on or about June 27, 2006, Walter Linder pointed out in a letter to Mr. Gross that Mr. Gross had failed to identify any specific claims that were infringed and had not provided any specific reasons why any such claims were infringed. WFFM admits that, on or about June 29, 2006, Mr. Gross replied by letter to Mr. Linder that Wells Fargo may have overlooked a CD enclosed with the original letter. WFFM admits that, on or about October 18, 2007, R. Joseph Trojan, purportedly representing Phoenix, sent a letter to Mr. Linder stating, *inter alia*, “the only rational choice is for Wells Fargo to solicit more favorable treatment as a willing licensee than the terms it would receive as a defendant in litigation.” The letter further demanded that Wells Fargo “disclose its call volume for each of the past three years for its interactive natural language processing customer support lines.” WFFM denies the remainder of the allegations in this paragraph.

III. JURISDICTION AND VENUE

24. This paragraph states no more than a legal conclusion to which no response is required.

25. This paragraph states no more than a legal conclusion to which no response is required.

26. This paragraph states no more than a legal conclusion to which no response is required.

IV. FIRST COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 6,633,846

27. WFFM repeats and realleges its responses set forth in paragraphs 1-26 above.

28. WFFM admits that what purports to be a copy of U.S. Patent No. 6,633,846 (“’846 patent”) is attached to the Complaint as Exhibit 1. WFFM admits that the ’846 patent is entitled “Distributed Real Time Speech Recognition System.” WFFM lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

29. Denied.

30. Denied.

31. Denied.

V. SECOND COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 6,665,640

32. WFFM repeats and realleges its responses set forth in paragraphs 1-26 above.

33. WFFM admits that what purports to be a copy of U.S. Patent No. 6,665,640 (“’640 patent”) is attached to the Complaint as Exhibit 2. WFFM admits that the ’640 patent is entitled “Interactive Speech Based Learning/Training System Formulating Search Queries Based on Natural Language Parsing of Recognized User Queries.” WFFM lacks knowledge or information sufficient to form a belief about the truth of the remainder of the allegations in this paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

34. Denied.

35. Denied.

36. Denied.

VI. THIRD COUNT FOR INFRINGEMENT OF UNITED STATES PATENT NO. 7,050,977

37. WFFM repeats and realleges its responses set forth in paragraphs 1-26 above.

38. WFFM admits that what purports to be a copy of U.S. Patent No. 7,050,977 (“’977 patent”) is attached to the Complaint as Exhibit 3. WFFM admits that the ’977 patent is entitled “Speech-Enabled Server for Internet Website and Method.” WFFM lacks knowledge or

1 information sufficient to form a belief about the truth of the remainder of the allegations in this
2 paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

3 39. Denied.

4 40. Denied.

5 41. Denied.

6 **VII. FOURTH COUNT FOR INFRINGEMENT OF UNITED**
7 **STATES PATENT NO. 7,277,854**

8 42. WFFM repeats and realleges its responses set forth in paragraphs 1-26 above.

9 43. WFFM admits that what purports to be a copy of U.S. Patent No. 7,277,854 (“
10 ’854 patent”) is attached to the Complaint as Exhibit 4. WFFM admits that the ’854 patent is
11 entitled “Speech Recognition System Interactive Agent.” WFFM lacks knowledge or
12 information sufficient to form a belief about the truth of the remainder of the allegations in this
13 paragraph and, on that basis, denies the remainder of the allegations in this paragraph.

14 44. Denied.

15 45. Denied.

16 46. Denied.

17 **VIII. DEMAND FOR JURY TRIAL**

18 47. This paragraph demands a jury trial, and accordingly no response is necessary for
19 this paragraph.

20 **IX. PRAYER FOR RELIEF**

21 48. WFFM denies each allegation of the Complaint not expressly admitted herein.

22 **AFFIRMATIVE DEFENSES**

23 **FIRST AFFIRMATIVE DEFENSE**

24 49. On information and belief, the ’846 patent is invalid because it fails to enable a
25 person of ordinary skill in the art to make and/or use the purported inventions claimed therein as
26 required by 35 U.S.C. § 112.
27
28

SECOND AFFIRMATIVE DEFENSE

50. On information and belief, the '846 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

THIRD AFFIRMATIVE DEFENSE

51. On information and belief, the '846 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

FOURTH AFFIRMATIVE DEFENSE

52. On information and belief, the '846 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

FIFTH AFFIRMATIVE DEFENSE

53. On information and belief, the '846 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

SIXTH AFFIRMATIVE DEFENSE

54. On information and belief, the '846 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

SEVENTH AFFIRMATIVE DEFENSE

55. On information and belief, the '846 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

EIGHTH AFFIRMATIVE DEFENSE

56. On information and belief, the '846 patent is not infringed by WFFM because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

NINTH AFFIRMATIVE DEFENSE

57. On information and belief, the '640 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

TENTH AFFIRMATIVE DEFENSE

58. On information and belief, the '640 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

ELEVENTH AFFIRMATIVE DEFENSE

59. On information and belief, the '640 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWELFTH AFFIRMATIVE DEFENSE

60. On information and belief, the '640 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

THIRTEENTH AFFIRMATIVE DEFENSE

61. On information and belief, the '640 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

FOURTEENTH AFFIRMATIVE DEFENSE

62. On information and belief, the '640 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

FIFTEENTH AFFIRMATIVE DEFENSE

63. On information and belief, the '640 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

SIXTEENTH AFFIRMATIVE DEFENSE

64. On information and belief, the '640 patent is not infringed by WFFM because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

SEVENTEENTH AFFIRMATIVE DEFENSE

65. On information and belief, the '977 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

EIGHTEENTH AFFIRMATIVE DEFENSE

66. On information and belief, the '977 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

NINETEENTH AFFIRMATIVE DEFENSE

67. On information and belief, the '977 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTIETH AFFIRMATIVE DEFENSE

68. On information and belief, the '977 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

TWENTY-FIRST AFFIRMATIVE DEFENSE

69. On information and belief, the '977 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

TWENTY-SECOND AFFIRMATIVE DEFENSE

70. On information and belief, the '977 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

TWENTY-THIRD AFFIRMATIVE DEFENSE

71. On information and belief, the '977 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

72. On information and belief, the '977 patent is not infringed by WFFM because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

73. On information and belief, the '854 patent is invalid because it fails to enable a person of ordinary skill in the art to make and/or use the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

74. On information and belief, the '854 patent is invalid because it fails to set forth an adequate written description of the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

75. On information and belief, the '854 patent is invalid because it fails to provide the best mode known to the putative inventors of practicing the purported inventions claimed therein as required by 35 U.S.C. § 112.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

76. On information and belief, the '854 patent is invalid because it fails to satisfy the definiteness requirement of 35 U.S.C. § 112.

TWENTY-NINTH AFFIRMATIVE DEFENSE

77. On information and belief, the '854 patent is invalid because the purported inventions claimed therein are anticipated by prior art under 35 U.S.C. § 102.

THIRTIETH AFFIRMATIVE DEFENSE

78. On information and belief, the '854 patent is invalid because the purported inventions claimed therein do not meet the requirement of non-obviousness contained in 35 U.S.C. § 103.

THIRTY-FIRST AFFIRMATIVE DEFENSE

79. On information and belief, the '854 patent is invalid because it fails to set forth the proper inventors of the purported inventions claimed in the patent.

THIRTY-SECOND AFFIRMATIVE DEFENSE

80. On information and belief, the '854 patent is not infringed by WFFM because the claim constructions that would be required to find infringement are barred by the doctrine of prosecution disclaimer and/or prosecution history estoppel.

THIRTY-THIRD AFFIRMATIVE DEFENSE

81. On information and belief, one or more of Phoenix's claims are barred by the doctrine of laches.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

82. On information and belief, Phoenix's claims for damages are limited and/or barred by its failure to comply with the provisions of 35 U.S.C. § 287.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

83. On information and belief, Phoenix's claims for infringement of the '846 patent are barred in whole or in part by its failure to comply with the duty of candor before the United States Patent and Trademark Office ("USPTO"). Phoenix misrepresented or omitted material information in prosecuting the '846 patent. The materiality of the information that was omitted is confirmed by the fact that, as explained further below, in almost every instance the reference in question was cited to Phoenix by a patent examiner overseeing the prosecution of a patent application seeking to claim related subject matter, and the reference was cited as a ground for rejecting the claims of that pending application. That demonstrates that a reasonable examiner would have likely considered the withheld information relevant in assessing the patentability of the claims here. Further, on information and belief, Phoenix withheld the information with the

1 intent to deceive the USPTO. Phoenix's intent to deceive the USPTO can be inferred from the
2 fact that it repeatedly failed to cite material prior art of which it was made aware during the
3 course of prosecuting related applications. Illustrative examples of such failures to disclose
4 material prior art of which WFFM is currently aware are discussed below. As a result of at least
5 these omissions, the '846 patent is unenforceable due to inequitable conduct.

6 84. During the time that the '846 patent was pending before the USPTO, Phoenix was
7 aware of U.S. Patent No. 5,615,296 to Stanford. Phoenix became aware of the Stanford patent
8 no later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
9 Action rejecting the claims of the '640 patent, based in part on obviousness over the Stanford
10 patent.

11 85. As explained in paragraph 83 above, the Stanford patent's materiality is
12 demonstrated by the fact that it was used to reject the claims of a patent application from the
13 same family. The Stanford patent also discloses information that is unquestionably material to
14 issues relating to the patentability of the claims of the '846 patent, including the issue of
15 obviousness. For example, the '846 patent as issued claims a system "wherein said speech
16 representative values are transmitted continuously during said speech utterances." The Stanford
17 patent, at column 4, lines 10-12 notes that it discloses a "technique of speaker-independent,
18 continuous-speech phrases and bi-grams."

19 86. Well over three months later, in September of 2002, Phoenix submitted a
20 supplemental Information Disclosure Statement. That IDS contained no mention of the Stanford
21 patent. Days after that, Phoenix submitted a set of amendments and arguments intended to
22 overcome the Examiner's prior rejection of the claims of the '846 patent. Still no mention was
23 made of the Stanford patent, despite the fact that Phoenix had attempted at length to distinguish
24 the Stanford patent in the '640 patent prosecution.

25 87. On March 12, 2003, the Examiner gave notice of allowance of all claims of the
26 '846 patent. Phoenix still failed to disclose to the USPTO the Stanford patent, a reference that
27 may well have led the USPTO to withdraw its notice of allowance of the claims.
28

1 88. The '846 patent reflects on its face that the Stanford patent was never considered
2 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '846 patent
3 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
4 material reference, Phoenix committed inequitable conduct, and the '846 patent is unenforceable.

5 89. Also during the time that the '846 patent was pending before the USPTO, Phoenix
6 was aware of U.S. Patent No. 5,983,190 to Trower. Phoenix became aware of the Trower patent
7 no later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
8 Action rejecting the claims of the '640 patent, based in part on obviousness over the Trower
9 patent.

10 90. As explained in paragraph 83 above, the Trower patent's materiality is
11 demonstrated by the fact that it was used to reject the claims of a patent application from the
12 same family. The Trower patent also discloses information that is unquestionably material to
13 issues relating to the patentability of the claims of the '846 patent, including the issue of
14 obviousness. For example, the '846 patent as issued claims a program used in a system "for
15 receiving user speech utterance signals representing speech utterances to be recognized" that
16 "works within a browser program executing on said computing system." The Trower patent, at
17 column 3, lines 15-16 and column 4, lines 28-34 notes that it discloses a system that relates to
18 "speech input" and utilizes "a microphone and analog to digital convertor circuitry for
19 converting sound to digitized audio" and that the system is "advantageous for web pages."

20 91. Well over three months later, in September of 2002, Phoenix submitted a
21 supplemental Information Disclosure Statement. That IDS contained no mention of the Trower
22 patent. Days after that, Phoenix submitted a set of amendments and arguments intended to
23 overcome the Examiner's prior rejection of the claims of the '846 patent. Still no mention was
24 made of the Trower patent.

25 92. On March 12, 2003, the Examiner gave notice of allowance of all claims of the
26 '846 patent. Phoenix still failed to disclose to the USPTO the Trower patent, a reference that
27 may well have led the USPTO to withdraw its notice of allowance of the claims.
28

1 93. The '846 patent reflects on its face that the Trower patent was never considered
2 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '846 patent
3 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
4 material reference, Phoenix committed inequitable conduct, and the '846 patent is unenforceable.

5 94. In addition to its failures to submit the material references described above,
6 Phoenix failed to disclose to the United States Patent and Trademark Office material information
7 regarding systems that were in use more than a year before the filing date for the '846 patent.
8 Specifically, documents produced by Phoenix have revealed that its principal (and named
9 inventor on the '846 patent) Ian Bennett knew no later than July of 2002 of a number of
10 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
11 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

12 95. Under the reading of the claims advanced by Phoenix in its infringement
13 contentions in this case, a product that was offered for sale by Nuance and in use more than a
14 year prior to the filing date of the '846 patent would have contained each of the elements of the
15 asserted claims of that patent. The Nuance product, which was available years prior to the filing
16 date of the '846 patent, would therefore have been not merely material prior art, but anticipatory
17 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
18 information regarding the products offered by these companies would have been considered
19 highly material to a reasonable examiner in considering whether to issue the '846 patent.

20 96. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
21 elsewhere failed to submit material prior art of which it was aware, as described above, it is
22 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
23 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
24 the USPTO, Phoenix committed inequitable conduct, and the '846 patent is therefore
25 unenforceable.

26 **THIRTY-SIXTH AFFIRMATIVE DEFENSE**

27 97. On information and belief, Phoenix's claims for infringement of the '640 patent
28 are barred in whole or in part by its failure to comply with the duty of candor before the USPTO.

1 Phoenix misrepresented or omitted material information in prosecuting the '640 patent. The
2 materiality of the information that was omitted is confirmed by the fact that, as explained further
3 below, in almost every instance the reference in question was cited to Phoenix by a patent
4 examiner overseeing the prosecution of a patent application seeking to claim related subject
5 matter, and the reference was cited as a ground for rejecting the claims of that pending
6 application. That demonstrates that a reasonable examiner would have likely considered the
7 withheld information relevant in assessing the patentability of the claims here. Further, on
8 information and belief, Phoenix withheld the information with the intent to deceive the USPTO.
9 Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to
10 cite material prior art of which it was made aware during the course of prosecuting related
11 applications. Illustrative examples of such failures to disclose material prior art of which WFFM
12 is currently aware are discussed below. As a result of at least these omissions, the '640 patent is
13 unenforceable due to inequitable conduct.

14 98. During the time that the '640 patent was pending before the USPTO, Phoenix was
15 aware of U.S. Patent No. 5,737,485 to Flanagan. Phoenix became aware of the Flanagan patent
16 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
17 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
18 Flanagan patent.

19 99. As explained in paragraph 97 above, the Flanagan patent's materiality is
20 demonstrated by the fact that it was used to reject the claims of a patent application from the
21 same family. The Flanagan patent also discloses information that is unquestionably material to
22 issues relating to the patentability of the claims of the '640 patent, including the issue of
23 obviousness. For example, the '640 patent as issued claims "a speech recognition system for
24 generating recognized speech utterance data from partially processed speech data." The
25 Flanagan patent, at column 3, lines 55-57 and column 4, lines 2-4 discloses a "feature extractor
26 [that] extracts speech features or cepstrum coefficients," which data are then "provided as inputs
27 to the speech recognizer."
28

1 100. A year later, in September of 2002, Phoenix submitted a set of amendments and
2 responses to the USPTO's Office Action rejecting the claims of the '640 patent. Phoenix made
3 no mention of the Flanagan patent at that time. Shortly thereafter, Phoenix submitted another
4 supplemental Information Disclosure Statement to the USPTO. Yet Phoenix again made no
5 mention of the Flanagan patent.

6 101. The '640 patent reflects on its face that the Flanagan patent was never considered
7 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '640 patent
8 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
9 material reference, Phoenix committed inequitable conduct, and the '640 patent is unenforceable.

10 102. During the time that the '640 patent was pending before the USPTO, Phoenix was
11 aware of U.S. Patent No. 5,265,014 to Haddock. Phoenix became aware of the Haddock patent
12 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
13 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
14 Haddock patent.

15 103. As explained in paragraph 97 above, the Haddock patent's materiality is
16 demonstrated by the fact that it was used to reject the claims of a patent application from the
17 same family. The Haddock patent also discloses information that is unquestionably material to
18 issues relating to the patentability of the claims of the '640 patent, including the issue of
19 obviousness. For example, the '640 patent as issued claims a system "adapted for responding to
20 speech-based queries" that has a "speech recognition system for generating recognized speech
21 utterance data" and "a query formulation system for converting said recognized speech data into
22 a search query suitable for identifying a topic query entry corresponding to said speech-based
23 query." The Haddock patent, at column 4, lines 25-28 and 43-46 notes that it discloses a system
24 whereby "the user communicates textual information to the computer system by talking to the
25 computer rather than by typing the information at the keyboard" and is "embodied in a user
26 interface of a database system which receives a database query from a user, evaluates the query,
27 and provides a result of the evaluation to the user."
28

1 104. A year later, in September of 2002, Phoenix submitted a set of amendments and
2 responses to the USPTO's Office Action rejecting the claims of the '640 patent. Phoenix made
3 no mention of the Haddock patent at that time. Shortly thereafter, Phoenix submitted another
4 supplemental Information Disclosure Statement to the USPTO. Yet Phoenix again made no
5 mention of the Haddock patent.

6 105. The '640 patent reflects on its face that the Haddock patent was never considered
7 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '640 patent
8 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
9 material reference, Phoenix committed inequitable conduct, and the '640 patent is unenforceable.

10 106. During the time that the '640 patent was pending before the USPTO, Phoenix was
11 aware of U.S. Patent No. 6,336,090 to Chou. Phoenix became aware of the Chou patent no later
12 than May of 2002, when the Examiner in the '846 patent prosecution mailed an Office Action
13 rejecting the claims of the '846 patent, based in part on obviousness over the Chou patent.

14 107. As explained in paragraph 97 above, the Chou patent's materiality is
15 demonstrated by the fact that it was used to reject the claims of a patent application from the
16 same family. The Chou patent also discloses information that is unquestionably material to
17 issues relating to the patentability of the claims of the '640 patent, including the issue of
18 obviousness. For example, the '640 patent as issued claims a system that involves "partially
19 processed speech data being received from a remote speech capturing system." The Chou patent,
20 at column 9, lines 51-59 notes that it discloses a "feature extraction and/or ASR units can be
21 located a the receiving base station, the switch connected to the base station . . . or at another
22 location connection on the network(s) to which these elements are connected" and that it will
23 sometimes "be convenient to have the feature extraction and ASR operations performed at
24 different locations."

25 108. A few months later, in September of 2002, Phoenix submitted a set of
26 amendments and responses to the USPTO's Office Action rejecting the claims of the '640 patent.
27 Phoenix made no mention of the Chou patent at that time. Shortly thereafter, Phoenix submitted
28

1 another supplemental Information Disclosure Statement to the USPTO. Yet Phoenix again made
2 no mention of the Chou patent.

3 109. The '640 patent reflects on its face that the Chou patent was never considered by
4 the Examiner during its prosecution. Notably, the attorney prosecuting both the '640 patent and
5 the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
6 reference, Phoenix committed inequitable conduct, and the '640 patent is unenforceable.

7 110. In addition to its failures to submit the material references described above,
8 Phoenix failed to disclose to the United States Patent and Trademark Office material information
9 regarding systems that were in use more than a year before the filing date for the '640 patent.
10 Specifically, documents produced by Phoenix have revealed that its principal (and named
11 inventor on the '640 patent) Ian Bennett knew no later than July of 2002 of a number of
12 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
13 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

14 111. Under the reading of the claims advanced by Phoenix in its infringement
15 contentions in this case, a product that was offered for sale by Nuance and in use more than a
16 year prior to the filing date of the '640 patent would have contained each of the elements of the
17 asserted claims of that patent. The Nuance product, which was available years prior to the filing
18 date of the '640 patent, would therefore have been not merely material prior art, but anticipatory
19 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
20 information regarding the products offered by these companies would have been considered
21 highly material to a reasonable examiner in considering whether to issue the '640 patent.

22 112. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
23 elsewhere failed to submit material prior art of which it was aware, as described above, it is
24 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
25 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
26 the USPTO, Phoenix committed inequitable conduct, and the '640 patent is therefore
27 unenforceable.
28

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

113. On information and belief, Phoenix's claims for infringement of the '977 patent are barred in whole or in part by its failure to comply with the duty of candor before the USPTO. Phoenix misrepresented or omitted material information in prosecuting the '977 patent. The materiality of the information that was omitted is confirmed by the fact that, as explained further below, in almost every instance the reference in question was cited to Phoenix by a patent examiner overseeing the prosecution of a patent application seeking to claim related subject matter, and the reference was cited as a ground for rejecting the claims of that pending application. That demonstrates that a reasonable examiner would have likely considered the withheld information relevant in assessing the patentability of the claims here. Further, on information and belief, Phoenix withheld the information with the intent to deceive the USPTO. Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to cite material prior art of which it was made aware during the course of prosecuting related applications. Illustrative examples of such failures to disclose material prior art of which WFFM is currently aware are discussed below. As a result of at least these omissions, the '977 patent is unenforceable due to inequitable conduct.

114. During the time that the '977 patent was pending before the USPTO, Phoenix was aware of U.S. Patent No. 5,615,296 to Stanford. Phoenix became aware of the Stanford patent no later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office Action rejecting the claims of the '640 patent, based in part on obviousness over the Stanford patent.

115. As explained in paragraph 113 above, the Stanford patent's materiality is demonstrated by the fact that it was used to reject the claims of a patent application from the same family. The Stanford patent also discloses information that is unquestionably material to issues relating to the patentability of the claims of the '977 patent, including the issue of obviousness. For example, the '977 patent as issued claims a system "adapted to interact on a real-time basis in response to one or more continuous speech queries." The Stanford patent, at

1 column 4, lines 10-12 notes that it discloses a “technique of speaker-independent, continuous-
2 speech phrases and bi-grams.”

3 116. After May of 2002, Phoenix submitted no less than five Information Disclosure
4 Statements. Not one disclosed the Stanford patent. Phoenix also twice amended its claims, but
5 did not make any mention of the Stanford patent when doing so, despite the fact that Phoenix had
6 attempted at length to distinguish the Stanford patent in the ’640 patent prosecution.

7 117. The ’977 patent reflects on its face that the Stanford patent was never considered
8 by the Examiner during its prosecution. Notably, the attorney prosecuting both the ’977 patent
9 and the ’640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
10 material reference, Phoenix committed inequitable conduct, and the ’977 patent is unenforceable.

11 118. During the time that the ’977 patent was pending before the USPTO, Phoenix was
12 aware of U.S. Patent No. 5,737,485 to Flanagan. Phoenix became aware of the Flanagan patent
13 no later than September of 2001, when the Examiner in the ’846 patent prosecution mailed an
14 Office Action rejecting the claims of the ’846 patent, based in part on obviousness over the
15 Flanagan patent.

16 119. As explained in paragraph 113 above, the Flanagan patent’s materiality is
17 demonstrated by the fact that it was used to reject the claims of a patent application from the
18 same family. The Flanagan patent also discloses information that is unquestionably material to
19 issues relating to the patentability of the claims of the ’977 patent, including the issue of
20 obviousness. For example, the ’977 patent as issued claims “partially processing a speech
21 utterance at the client platform to generate limited data content speech data.” The Flanagan
22 patent, at column 3, lines 55-57 and column 4, lines 2-4 discloses a “feature extractor [that]
23 extracts speech features or cepstrum coefficients,” which partially processed speech data are then
24 “provided as inputs to the speech recognizer.”

25 120. After September of 2001, Phoenix submitted a half-dozen Information Disclosure
26 Statements. Not one disclosed the Flanagan patent. Phoenix also twice amended its claims, but
27 did not make any mention of the Flanagan patent when doing so.
28

1 121. The '977 patent reflects on its face that the Flanagan patent was never considered
2 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent
3 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
4 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

5 122. During the time that the '977 patent was pending before the USPTO, Phoenix was
6 aware of U.S. Patent No. 5,265,014 to Haddock. Phoenix became aware of the Haddock patent
7 no later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
8 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
9 Haddock patent.

10 123. As explained in paragraph 113 above, the Haddock patent's materiality is
11 demonstrated by the fact that it was used to reject the claims of a patent application from the
12 same family. The Haddock patent also discloses information that is unquestionably material to
13 issues relating to the patentability of the claims of the '977 patent, including the issue of
14 obviousness. For example, the '977 patent as issued claims a website that has a "speech
15 recognition routine executing on the server computing system for completing recognition of said
16 speech query using said speech data and said data content to generate a recognized speech
17 query" and "a list of items, at least some of said list of items being selectable by a user based on
18 said recognized speech query." The Haddock patent, at column 4, lines 25-28 and 43-46 notes
19 that it discloses a system whereby "the user communicates textual information to the computer
20 system by talking to the computer rather than by typing the information at the keyboard" and is
21 "embodied in a user interface of a database system which receives a database query from a user,
22 evaluates the query, and provides a result of the evaluation to the user."

23 124. After September of 2001, Phoenix submitted a half-dozen Information Disclosure
24 Statements. Not one disclosed the Haddock patent. Phoenix also twice amended its claims, but
25 did not make any mention of the Haddock patent when doing so.

26 125. The '977 patent reflects on its face that the Haddock patent was never considered
27 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent
28

1 and the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
2 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

3 126. During the time that the '977 patent was pending before the USPTO, Phoenix was
4 aware of U.S. Patent No. 5,540,589 to Waters. Phoenix became aware of the Waters patent no
5 later than September of 2001, when the Examiner in the '846 patent prosecution mailed an
6 Office Action rejecting the claims of the '846 patent, based in part on obviousness over the
7 Waters patent.

8 127. As explained in paragraph 113 above, the Waters patent's materiality is
9 demonstrated by the fact that it was used to reject the claims of a patent application from the
10 same family. The Waters patent also discloses information that is unquestionably material to
11 issues relating to the patentability of the claims of the '977 patent, including the issue of
12 obviousness. For example, the '977 patent as issued claims a system "wherein signal processing
13 functions required to generate said recognized speech query can be allocated between a client
14 platform and the server computing system as needed based on computing resources available to
15 said client platform and server computing system respectively." The Waters patent, at column 6,
16 lines 21-23 notes that it discloses a system where the "voice recognizer 34 is illustrated as a
17 standalone component, although it may be built-in to the controller."

18 128. After September of 2001, Phoenix submitted a half-dozen Information Disclosure
19 Statements. Not one disclosed the Waters patent. Phoenix also twice amended its claims, but
20 did not make any mention of the Waters patent when doing so.

21 129. The '977 patent reflects on its face that the Waters patent was never considered by
22 the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent and
23 the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
24 reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

25 130. During the time that the '977 patent was pending before the USPTO, Phoenix was
26 aware of U.S. Patent No. 6,336,090 to Chou. Phoenix became aware of the Chou patent no later
27 than May of 2002, when the Examiner in the '846 patent prosecution mailed an Office Action
28 rejecting the claims of the '846 patent, based in part on obviousness over the Chou patent.

1 131. As explained in paragraph 113 above, the Chou patent's materiality is
2 demonstrated by the fact that it was used to reject the claims of a patent application from the
3 same family. The Chou patent also discloses information that is unquestionably material to
4 issues relating to the patentability of the claims of the '977 patent, including the issue of
5 obviousness. For example, the '977 patent as issued claims a website that allows certain speech-
6 recognition operations to "be allocated between a client platform and the server computing
7 system as needed based on computing resources available to said client platform and server
8 computing system respectively." The Chou patent, at column 9, lines 51-59 notes that it
9 discloses a "feature extraction and/or ASR units can be located a the receiving base station, the
10 switch connected to the base station . . . or at another location connection on the network(s) to
11 which these elements are connected" and that it will sometimes "be convenient to have the
12 feature extraction and ASR operations performed at different locations."

13 132. After May of 2002, Phoenix submitted no less than five Information Disclosure
14 Statements. Not one disclosed the Chou patent. Phoenix also twice amended its claims, but did
15 not make any mention of the Chou patent when doing so.

16 133. The '977 patent reflects on its face that the Chou patent was never considered by
17 the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent and
18 the '846 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
19 reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

20 134. During the time that the '977 patent was pending before the USPTO, Phoenix was
21 aware of U.S. Patent No. 5,983,190 to Trower. Phoenix became aware of the Trower patent no
22 later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
23 Action rejecting the claims of the '640 patent, based in part on obviousness over the Trower
24 patent.

25 135. As explained in paragraph 113 above, the Trower patent's materiality is
26 demonstrated by the fact that it was used to reject the claims of a patent application from the
27 same family. The Trower patent also discloses information that is unquestionably material to
28 issues relating to the patentability of the claims of the '977 patent, including the issue of

1 obviousness. For example, the '977 patent as issued claims a website that "controls an
2 interactive character agent presented to the user for assisting in handling said speech query."
3 The Trower patent, at column 2, lines 23-25 and column 3, lines 15-17 notes that it discloses a
4 "client-server animation system used to display interactive, animated user interface characters
5 with speech input and output capability" and that the invention is "advantageous for web pages
6 because a web page can include an interactive character simply by adding a reference to the
7 agent server."

8 136. After May of 2002, Phoenix submitted no less than five Information Disclosure
9 Statements. Not one disclosed the Trower patent. Phoenix also twice amended its claims, but
10 did not make any mention of the Trower patent when doing so.

11 137. The '977 patent reflects on its face that the Trower patent was never considered
12 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '977 patent
13 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
14 material reference, Phoenix committed inequitable conduct, and the '977 patent is unenforceable.

15 138. In addition to its failures to submit the material references described above,
16 Phoenix failed to disclose to the United States Patent and Trademark Office material information
17 regarding systems that were in use more than a year before the filing date for the '977 patent.
18 Specifically, documents produced by Phoenix have revealed that its principal (and named
19 inventor on the '977 patent) Ian Bennett knew no later than July of 2002 of a number of
20 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
21 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

22 139. Under the reading of the claims advanced by Phoenix in its infringement
23 contentions in this case, a product that was offered for sale by Nuance and in use more than a
24 year prior to the filing date of the '977 patent would have contained each of the elements of the
25 asserted claims of that patent. The Nuance product, which was available years prior to the filing
26 date of the '977 patent, would therefore have been not merely material prior art, but anticipatory
27 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
28

1 information regarding the products offered by these companies would have been considered
2 highly material to a reasonable examiner in considering whether to issue the '977 patent.

3 140. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
4 elsewhere failed to submit material prior art of which it was aware, as described above, it is
5 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
6 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
7 the USPTO, Phoenix committed inequitable conduct, and the '977 patent is therefore
8 unenforceable.

9 **THIRTY-EIGHTH AFFIRMATIVE DEFENSE**

10 141. On information and belief, Phoenix's claims for infringement of the '854 patent
11 are barred in whole or in part by its failure to comply with the duty of candor before the USPTO.
12 Phoenix misrepresented or omitted material information in prosecuting the '854 patent. The
13 materiality of the information that was omitted is confirmed by the fact that, as explained further
14 below, in almost every instance the reference in question was cited to Phoenix by a patent
15 examiner overseeing the prosecution of a patent application seeking to claim related subject
16 matter, and the reference was cited as a ground for rejecting the claims of that pending
17 application. That demonstrates that a reasonable examiner would have likely considered the
18 withheld information relevant in assessing the patentability of the claims here. Further, on
19 information and belief, Phoenix withheld the information with the intent to deceive the USPTO.
20 Phoenix's intent to deceive the USPTO can be inferred from the fact that it repeatedly failed to
21 cite material prior art of which it was made aware during the course of prosecuting related
22 applications. Illustrative examples of such failures to disclose material prior art of which WFFM
23 is currently aware are discussed below. As a result of at least these omissions, the '854 patent is
24 unenforceable due to inequitable conduct.

25 142. During the time that the '854 patent was pending before the USPTO, Phoenix was
26 aware of U.S. Patent No. 5,983,190 to Trower. Phoenix became aware of the Trower patent no
27 later than May of 2002, when the Examiner in the '640 patent prosecution mailed an Office
28

1 Action rejecting the claims of the '640 patent, based in part on obviousness over the Trower
2 patent.

3 143. As explained in paragraph 141 above, the Trower patent's materiality is
4 demonstrated by the fact that it was used to reject the claims of a patent application from the
5 same family. The Trower patent also discloses information that is unquestionably material to
6 issues relating to the patentability of the claims of the '854 patent, including the issue of
7 obviousness. For example, the '854 patent as issued claims a method employing an "interactive
8 electronic agent" that "is an animated character on a screen of the client device." The Trower
9 patent, at column 2, lines 23-25 notes that it discloses a "client-server animation system used to
10 display interactive, animated user interface characters with speech input and output capability."

11 144. Phoenix filed the continuation application that matured into the '854 patent in
12 January of 2005, nearly three years after it indisputably learned of the Trower patent. At no time
13 during the prosecution of the '854 patent did Phoenix disclose the Trower patent to the USPTO.

14 145. The '854 patent reflects on its face that the Trower patent was never considered
15 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent
16 and the '640 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
17 material reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

18 146. During the time that the '854 patent was pending before the USPTO, Phoenix was
19 aware of U.S. Patent No. 6,101,472 to Giangarra. Phoenix became aware of the Giangarra patent
20 no later than August of 2004, when the Examiner in the '977 patent prosecution mailed an Office
21 Action rejecting the claims of the '977 patent, based in part on obviousness over the Giangarra
22 patent.

23 147. As explained in paragraph 141 above, the Giangarra patent's materiality is
24 demonstrated by the fact that it was used to reject the claims of a patent application from the
25 same family. The Giangarra patent also discloses information that is unquestionably material to
26 issues relating to the patentability of the claims of the '854 patent, including the issue of
27 obviousness. For example, the '854 patent as issued claims a method that includes "providing a
28 speech recognition engine adapted to recognize a first set of words and/or phrases during an

1 interactive speech session.” The Giangarra patent, at column 5, lines 41-44 discloses a
2 “vocabulary list stored in speech recognition unit **252** [that] provides a list of all words and
3 utterances by an external user which will be recognized as voice commands.”

4 148. Phoenix filed the continuation application that matured into the '854 patent in
5 January of 2005, several months after it indisputably learned of the Giangarra patent. At no time
6 during the prosecution of the '854 patent did Phoenix disclose the Giangarra patent to the
7 USPTO.

8 149. The '854 patent reflects on its face that the Giangarra patent was never considered
9 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent
10 and the '977 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
11 material reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

12 150. During the time that the '854 patent was pending before the USPTO, Phoenix was
13 aware of U.S. Patent No. 6,330,530 to Horiguchi. Phoenix became aware of the Horiguchi
14 patent no later than August of 2004, when the Examiner in the '977 patent prosecution mailed an
15 Office Action rejecting the claims of the '977 patent, based in part on obviousness over the
16 Horiguchi patent.

17 151. As explained in paragraph 141 above, the Horiguchi patent's materiality is
18 demonstrated by the fact that it was used to reject the claims of a patent application from the
19 same family. The Horiguchi patent also discloses information that is unquestionably material to
20 issues relating to the patentability of the claims of the '854 patent, including the issue of
21 obviousness. For example, the '854 patent as issued claims “a natural language query system.”
22 The Horiguchi patent, at column 1, lines 27-28 describes a “natural language processing system.”

23 152. Phoenix filed the continuation application that matured into the '854 patent in
24 January of 2005, several months after it indisputably learned of the Horiguchi patent. At no time
25 during the prosecution of the '854 patent did Phoenix disclose the Horiguchi patent to the
26 USPTO.

27 153. The '854 patent reflects on its face that the Horiguchi patent was never considered
28 by the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent

1 and the '977 patent was the same: J. Nicholas Gross. By intentionally failing to submit this
2 material reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

3 154. During the time that the '854 patent was pending before the USPTO, Phoenix was
4 aware of U.S. Patent No. 6,901,366 to Kuhn. Phoenix became aware of the Kuhn patent no later
5 than June of 2005, when the Examiner in the '977 patent prosecution mailed an Office Action
6 rejecting the claims of the '977 patent, based in part on obviousness over the Kuhn patent.

7 155. As explained in paragraph 141 above, the Kuhn patent's materiality is
8 demonstrated by the fact that it was used to reject the claims of a patent application from the
9 same family. The Kuhn patent also discloses information that is unquestionably material to
10 issues relating to the patentability of the claims of the '854 patent, including the issue of
11 obviousness. For example, the '854 patent as issued claims a method of using a system that
12 provides "a database of query/answer pairs concerning one or more topics which can be
13 responded to by the natural language query system." The Kuhn patent, at column 5, line 1 and
14 lines 45-47 notes that it discloses a "knowledge database" as well as a "natural language parser
15 12 [that] analyzes and extracts semantically important and meaningful topics from a loosely
16 structured, natural language text."

17 156. After June of 2005, Phoenix submitted several Information Disclosure
18 Statements, and also amended the claims several times. At no time during the prosecution of the
19 '854 patent did Phoenix disclose the Kuhn patent to the USPTO.

20 157. The '854 patent reflects on its face that the Kuhn patent was never considered by
21 the Examiner during its prosecution. Notably, the attorney prosecuting both the '854 patent and
22 the '977 patent was the same: J. Nicholas Gross. By intentionally failing to submit this material
23 reference, Phoenix committed inequitable conduct, and the '854 patent is unenforceable.

24 158. In addition to its failures to submit the material references described above,
25 Phoenix failed to disclose to the United States Patent and Trademark Office material information
26 regarding systems that were in use more than a year before the filing date for the '854 patent.
27 Specifically, documents produced by Phoenix have revealed that its principal (and named
28 inventor on the '854 patent) Ian Bennett knew no later than July of 2002 of a number of

1 companies that Phoenix viewed as competitors in the speech recognition marketplace. These
2 companies included, without limitation, Nuance, SpeechWorks, Scansoft, and VoiceNet.

3 159. Under the reading of the claims advanced by Phoenix in its infringement
4 contentions in this case, a product that was offered for sale by Nuance and in use more than a
5 year prior to the filing date of the '854 patent would have contained each of the elements of the
6 asserted claims of that patent. The Nuance product, which was available years prior to the filing
7 date of the '854 patent, would therefore have been not merely material prior art, but anticipatory
8 prior art, at least as Phoenix now reads the claims of the patents-in-suit. Accordingly,
9 information regarding the products offered by these companies would have been considered
10 highly material to a reasonable examiner in considering whether to issue the '854 patent.

11 160. Given the knowledge of this highly relevant prior art, and the fact that Phoenix
12 elsewhere failed to submit material prior art of which it was aware, as described above, it is
13 reasonable to infer that Phoenix had an intent to deceive when it withheld information regarding
14 that prior art from the USPTO. By intentionally failing to submit this highly relevant prior art to
15 the USPTO, Phoenix committed inequitable conduct, and the '854 patent is therefore
16 unenforceable.

17 **THIRTY-NINTH AFFIRMATIVE DEFENSE**

18 161. On information and belief, the '846 patent is invalid under the doctrine barring
19 double patenting and/or obviousness-type double patenting.

20 **FORTIETH AFFIRMATIVE DEFENSE**

21 162. On information and belief, the '640 patent is invalid under the doctrine barring
22 double patenting and/or obviousness-type double patenting.

23 **FORTY-FIRST AFFIRMATIVE DEFENSE**

24 163. On information and belief, the '977 patent is invalid under the doctrine barring
25 double patenting and/or obviousness-type double patenting.

26 **FORTY-SECOND AFFIRMATIVE DEFENSE**

27 164. On information and belief, the '854 patent is invalid under the doctrine barring
28 double patenting and/or obviousness-type double patenting.

PRAYER FOR RELIEF

WHEREFORE, WFFM prays for judgment as follows:

(a) That Phoenix take nothing by its Complaint and the Court dismiss its Complaint with prejudice;

(b) That the Court find that no claim of the '846 patent has been, or is, infringed willfully, deliberately, or otherwise by WFFM;

(c) That the Court find that no claim of the '640 patent has been, or is, infringed willfully, deliberately, or otherwise by WFFM;

(d) That the Court find that no claim of the '977 patent has been, or is, infringed willfully, deliberately, or otherwise by WFFM;

(e) That the Court find that no claim of the '854 patent has been, or is, infringed willfully, deliberately, or otherwise by WFFM;

(f) That the Court find that the claims of the '846 patent are invalid;

(g) That the Court find that the claims of the '640 patent are invalid;

(h) That the Court find that the claims of the '977 patent are invalid;

(i) That the Court find that the claims of the '854 patent are invalid;

(j) That the Court find that the '846 patent is unenforceable because of inequitable conduct committed during its prosecution;

(k) That the Court find that the '640 patent is unenforceable because of inequitable conduct committed during its prosecution;

(l) That the Court find that the '977 patent is unenforceable because of inequitable conduct committed during its prosecution;

(m) That the Court find that the '854 patent is unenforceable because of inequitable conduct committed during its prosecution;

(n) That the Court award WFFM reasonable attorneys' fees under 35 U.S.C. § 285;

(o) That the Court award WFFM all costs and expenses it incurs in this action;

(p) That the Court award WFFM such other and further relief that it deems just and proper.

DEMAND FOR JURY TRIAL

WFFM hereby demands a trial by jury of all issues so triable in this action.

Dated: October 8, 2008

KEKER & VAN NEST, LLP

By: /s/ Eugene M. Paige
Eugene M. Paige
Attorneys for Defendant
WELLS FARGO FUNDS
MANAGEMENT, LLC